FDIC State Profile

Winter 2005

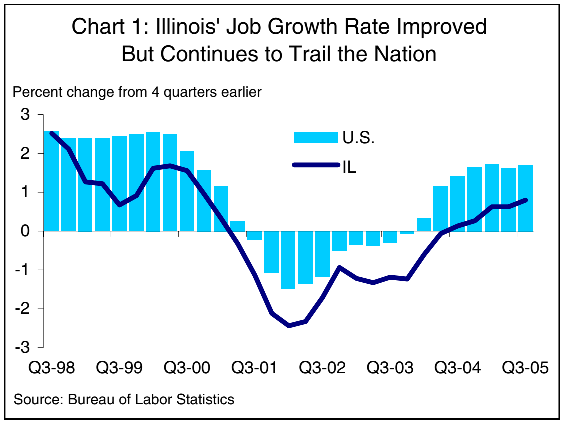
Illinois

Illinois posted another quarter of job growth despite continued manufacturing woes.

- Illinois posted its fifth consecutive quarter of year-over-year job growth, adding 46,700 jobs during the year ending third quarter 2005. However, at 0.8 percent, the state's year-over-year job growth rate only ranked 41st in the nation, though the gap between national and state employment trends continued to narrow (see Chart 1).
- Most Illinois metro areas reported job growth in the past year. Strong growth in the professional and business services and education and healthcare sectors continues to offset weakness in the manufacturing sector.
- Illinois lost an additional 7,100 manufacturing jobs in the past year ending third quarter 2005. Most of these losses were in the **Chicago-Naperville Joliet** metro area. The ripple effect from auto sector woes likely will dampen future employment prospects.
- Personal bankruptcy filings in Illinois spiked in the third quarter 2005, likely reflecting the rush in filing before the new bankruptcy law went into effect (see Chart 2). Per capita bankruptcy rates for Illinois borrowers continue to remain high relative to the nation.

Illinois households face relatively higher energy expenditures.

- Approximately 86 percent of Illinois homes rely on natural gas as their main heating source.[1] Consequently, with Midwest natural gas prices projected to increase over 44 percent this winter,[2] Illinois households can expect substantially higher natural gas bills.
- Typically, Illinois households face higher heating bills relative to the nation, largely from colder climate conditions. The state ranks 18th highest in the nation based on the number of heating degree-days per year.[3]



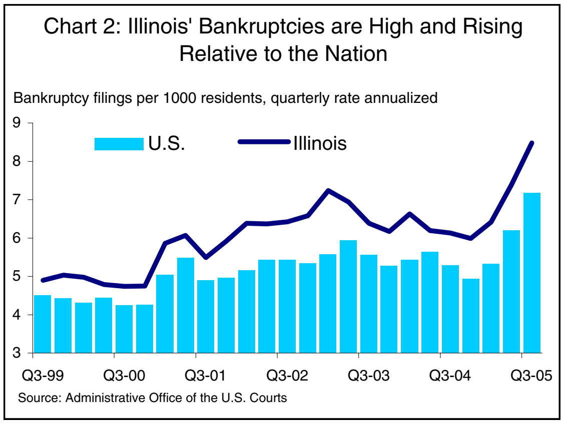


Table 1: Higher Net Interest Income and Lower Operating Expenses Boosted Profitability

Income statement contribution (percent of average assets)	3 months ended Sep 30		Percentage Point Change
	2004	2005	
Net Interest Income	3.45	3.49	0.04
Noninterest Income	0.78	0.75	-0.03
Noninterest Expense	-2.67	-2.63	0.04
Provision Expense	-0.17	-0.15	0.02
Security Gains & Losses	0.01	-0.01	-0.02
Pretax Net Income	1.40	1.46	0.06
Income Taxes	-0.31	-0.30	0.01
Net Income (ROA)	1.09	1.16	0.07

Source: FDIC

Note: Merger-adjusted data for Illinois' Community Institutions

[1] U.S. Census Bureau, 2004 American Community Survey.
[2] Energy Information Administration/Short-Term Energy Outlook - December 2005.
[3] Based on data from the National Oceanic and Atmospheric Administration using the average number of heating degree days for the past five years.

The Chicago housing market remained active, while the downtown office market weakened.

- Condominium sales in the Chicago metro area outpaced single-family homes as the number of sales increased by 10.1 and 0.6 percent, respectively, between third quarter 2004 and 2005, according to the Illinois Association of Realtors. Median single-family and condominium prices were up 10 percent and 9 percent, respectively. However, Chicago-area residential brokerages reported signs of a housing slowdown as the average days on market for single-family homes rose, particularly in the higher-end market.

- Overall vacancy rates for the Chicago metro market remain steady; however, Chicago's downtown office vacancy rates increased by 110 basis points to 17.1 percent in third quarter 2005 compared to a year ago. Oversupply of completions and relatively slow job growth contributed to the increase in downtown office vacancy rates.

Illinois community institutions reported stable performance.

- Aggregate profitability (return on assets) among Illinois-based community institutions improved in third quarter 2005 from one year ago, primarily from higher net interest income, lower noninterest expense, and lower provision expense (see Table 1).[4]

- Net interest margins continued to improve from a year earlier, as higher asset yields exceeded funding cost increases.

Credit quality continues to remain favorable.

- Credit quality at insured community institutions remained stable as delinquency ratios improved across all major loan categories (see Chart 3). However, the increased use of adjustable rate mortgages and other hybrid loan products could leave some highly leveraged borrowers vulnerable to higher mortgage payments should interest rates rise.

- Despite a rapid increase in the use of piggyback loans in some areas of the country, insured institutions reported a relatively moderate level of these loans made in the state's metro areas in 2004. The number of piggyback loans made in Illinois Core Based Statistical Areas in 2004 as a percentage of 1-4 family home purchase loans was 10.8 percent, compared to 12.8 percent for the nation.[5]

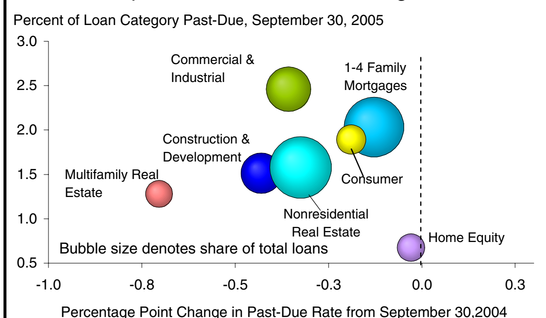
Illinois bank branching expansion activity remained strong.

- Illinois bank office growth outpaced population growth in recent years (see Chart 4). For the year ending June 2005, the Illinois bank office growth rate ranked fifth in the nation as the number of banking offices expanded by 5.8 percent to 4,646.

- Most new banking locations were established in the Chicago-Naperville-Joliet metro area, which also led the nation in number of new bank offices. In the past year, the number of bank offices within the Chicago area grew 8.8 percent to 2,989. Although Chicago's branch density (as measured by population per banking office) has declined by 7.7 percent to 3,155, it remains slightly above the median branch density for all MSAs of 3,142.

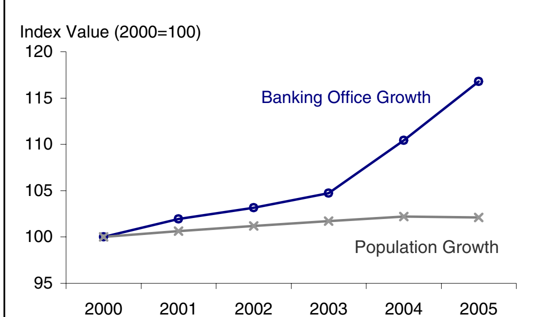
- Out-of-state banks are increasing their presence in Illinois. Interstate branches as a percentage of total Illinois banking offices increased to 33 percent in 2005, up from 25 percent in 2004. The median for all states is 33 percent.

Chart 3: Delinquency Rates Continued to Improve Across All Loan Categories



Source: FDIC Note: Merger-adjusted data for Illinois' Community Institutions

Chart 4: Banking Office Growth Outpaced Population Growth in Illinois



Sources: FDIC and U.S. Census Bureau.

reported stable performance.

[4]Community institutions are insured banks and thrifts with less than $1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity.

[5]Data reported by insured institutions as part of the Home Mortgage Disclosure Act. Piggyback loans refer to second liens on home purchase loans.

Illinois at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.8%	0.6%	0.1%	-0.1%	-1.2%
Manufacturing (12%)	-1.0%	-0.8%	-1.3%	-2.4%	-5.3%
Other (non-manufacturing) Goods-Producing (5%)	0.4%	-0.3%	-4.0%	-2.9%	-1.0%
Private Service-Producing (69%)	1.3%	1.1%	0.9%	0.8%	-0.6%
Government (14%)	-0.1%	-0.3%	-0.7%	-1.1%	-0.9%
Unemployment Rate (% of labor force)	5.8	5.9	6.2	6.2	6.7

Other Indicators	Q3-05	Q2-05	Q3-04	2004	2003
Personal Income	N/A	4.9%	2.2%	3.3%	3.2%
Single-Family Home Permits	4.9%	9.1%	5.9%	4.1%	3.9%
Multifamily Building Permits	15.6%	38.7%	-4.1%	-17.2%	10.4%
Existing Home Sales	4.8%	1.8%	7.6%	11.8%	2.3%
Home Price Index	8.1%	10.0%	10.7%	8.6%	5.3%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	8.48	7.38	6.13	6.34	7.05

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2003
Institutions (#)	714	717	755	746	769
Total Assets (in millions)	369,344	357,270	588,768	340,634	575,362
New Institutions (# < 3 years)	16	13	8	8	8
Subchapter S Institutions	203	203	191	190	184

Asset Quality	Q3-05	Q2-05	Q3-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.66	1.49	1.62	1.63	1.78
ALLL/Total Loans (median %)	1.08	1.11	1.13	1.11	1.15
ALLL/Noncurrent Loans (median multiple)	1.62	1.75	1.65	1.68	1.54
Net Loan Losses / Total Loans (median %)	0.01	0.01	0.03	0.09	0.10

Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2003
Tier 1 Leverage (median %)	9.37	9.41	9.18	9.13	8.92
Return on Assets (median %)	0.98	1.01	0.99	0.96	0.97
Pretax Return on Assets (median %)	1.28	1.30	1.29	1.25	1.25
Net Interest Margin (median %)	3.72	3.76	3.73	3.71	3.67
Yield on Earning Assets (median %)	5.81	5.67	5.34	5.33	5.57
Cost of Funding Earning Assets (median %)	2.11	1.90	1.61	1.62	1.92
Provisions to Avg. Assets (median %)	0.06	0.06	0.07	0.09	0.12
Noninterest Income to Avg. Assets (median %)	0.51	0.50	0.53	0.52	0.58
Overhead to Avg. Assets (median %)	2.63	2.61	2.57	2.60	2.63

Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2003
Loans to Assets (median %)	63.5	62.6	62.1	61.8	59.7
Noncore Funding to Assets (median %)	18.4	17.6	16.6	16.6	16.1
Long-term Assets to Assets (median %, call filers)	12.6	12.7	14.4	13.9	15.3
Brokered Deposits (number of institutions)	236	227	207	214	186
Brokered Deposits to Assets (median % for those above)	4.4	4.4	4.4	4.2	4.0

Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2003
Commercial and Industrial	64.9	64.0	64.4	63.3	64.0
Commercial Real Estate	150.4	148.0	141.4	146.3	136.7
Construction & Development	20.7	17.9	18.0	18.9	15.5
Multifamily Residential Real Estate	7.9	7.6	6.9	7.5	6.4
Nonresidential Real Estate	104.9	106.7	99.7	104.2	94.2
Residential Real Estate	174.4	174.5	183.7	187.4	184.0
Consumer	31.7	31.6	35.4	34.4	40.2
Agriculture	43.2	44.1	36.6	36.2	38.2

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
Chicago-Naperville-Joliet, IL-IN-WI	309	239,618	< $250 million	536 (75.1%)
Bloomington-Normal, IL	27	9,549	$250 million to $1 billion	144 (20.2%)
Davenport-Moline-Rock Island, IA-IL	46	5,609	$1 billion to $10 billion	28 (3.9%)
Rockford, IL	23	5,598	> $10 billion	6 (0.8%)
Peoria, IL	46	5,321		